

SECOND DECONTROL ACT OF 1947 EXTENDING POWERS TO CONTROL EXPORTS AND CERTAIN POWERS UNDER TITLE III, SECOND WAR POWERS ACT

JUNE 23 (legislative day, APRIL 21), 1947.—Ordered to be printed

Mr. COOPER, from the Committee on the Judiciary, submitted the following

REPORT

[To accompany S. 1461]

The Committee on the Judiciary, to whom was referred the bill (S. 1461) to extend certain powers of the President under title III of the Second War Powers Act, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

On March 19, 1947, the President sent a message to Congress recommending that the authority derived from the Export Control Act be extended for a period of 1 year beyond its present expiration date of June 30, 1947. On May 22, 1947, the President sent another message to the Congress recommending extension of title III of the Second War Powers Act for certain purposes for a period of 1 year to June 30, 1948. Both messages were referred to the Senate Committee on the Judiciary which appointed a subcommittee to hold hearings and make a study thereon. Such study resulted in the introduction of two bills, S. 1460 and S. 1461, which bills were referred to the Judiciary Committee and after further study were consolidated into one bill which is reported herewith.

DECISION

The committee recommends that the powers of the President, under the two acts mentioned above, be extended until June 30, 1948, with certain limitations and with provisions relating to their administration. These provisions are included in one bill, it being the sense of the committee that the powers under the Export Control Act and under title III of the Second War Powers Act are related and complementary.

I. HISTORY AND ADMINISTRATION OF EXPORT CONTROLS AND WAR POWERS ACT

A. EXPORT CONTROL ACT

1. History

The act of July 2, 1940, to expedite the strengthening of national defense, in section 6 authorized the President for a period of 2 years, whenever necessary for the defense of the Nation, to prohibit or curtail the exportation of any military equipment or munitions, or component parts thereof, or machinery, tools, material, or supplies necessary for the manufacture, servicing, or operation thereof.

In Executive Order 8900, dated September 15, 1941, the President delegated his powers and functions under said section 6 to the Board of Economic Warfare.

Public Law 638 of the Seventy-ninth Congress, approved June 30, 1942 (56 Stat. 463), extended said authority for 2 years and amended section 6 of the act of July 2, 1940, to read as follows:

SEC. 6. (a) The President is hereby authorized to prohibit or curtail the exportation of any articles, technical data, materials, or supplies, except under such rules and regulations as he shall prescribe.

(b) Unless the President shall otherwise direct, the functions and duties of the President under this section shall be performed by the Board of Economic Warfare.

(c) In case of the violation of any provision of any proclamation, rule, or regulation issued hereunder, such violator or violators, upon conviction, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than two years, or by both such fine and imprisonment.

(d) The authority granted by this section shall terminate on June 30, 1944, or upon any prior date which the Congress by concurrent resolution, or the President, may designate; except that as to offenses committed, or rights or liabilities incurred prior to such date, the provisions of this section and such rules, regulations, and proclamations shall be treated as remaining in effect for the purpose of sustaining any suit, action, or prosecution with respect to such right, liability, or offense.

Public Law 397 of the Seventy-eighth Congress, approved July 1, 1944 (58 Stat. 671), extended said authority for 1 year and amended section 6 (d) accordingly.

Public Law 99 of the Seventy-ninth Congress, approved June 30, 1945 (59 Stat. 270), extended said authority for 1 year, and amended section 6 (d) accordingly.

Public Law 389 of the Seventy-ninth Congress, chapter 269, of the second session, extended said authority for an additional year to June 30, 1947.

In Executive Order 9630, dated September 27, 1945, the President delegated his powers and functions under said section 6 to the Department of Commerce.

Senate bill 1461 was introduced to extend controls for an additional year to June 30, 1948.

2. Administration

(a) *Allocation of food.*—The commodities subject to export-licensing control may be divided into three main categories—first, food; second, coal; and third, industrial materials generally.

Food allocations are in the first instance recommended on a world basis by the International Emergency Food Council (IEFC), an

international advisory organization in which this Government holds membership and in which it participates.

Members of the Council are:

Australia	Finland	Poland
Austria	France	Portugal
Belgium	Greece	Republic of the Philip-
Brazil	Hungary	pines
Canada	India	Siam
Chile	Ireland	Sweden
China	Italy	Switzerland
Cuba	Mexico	Turkey
Czechoslovakia	Netherlands	Union of South Africa
Denmark	New Zealand	United Kingdom
Ecuador	Norway	United States
Egypt	Peru	

The Secretary of Agriculture represents the United States on the Council.

By Executive order, the Department of Agriculture is responsible for the United States food program. It takes part in the discussions of the appropriate share of the world food deficit to be met by United States exports. The final decision as to total United States exports and allocations to countries is made by the Department of Agriculture, after consultation with other Government agencies.

Allocations of quotas are made country by country or, in some cases, by groups of countries. They are communicated to the public and to the Department of Commerce for licensing purposes.

(b) *Licensing of food.*—The function of the Department of Commerce (apart from its participation in the formulation of the initial allocation decision) is the distribution of the quota among exporters.

In carrying out this function, export licenses are issued by the Office of International Trade in the Department of Commerce against the allocations determined by the Department of Agriculture.

Three techniques are employed in the licensing and export of allocations of food, as follows:

(1) Some allocations are effected through direct government-to-government transactions. The Production and Marketing Administration of the Department of Agriculture has the authority to purchase food for export, and sell in bulk foodstuffs direct to foreign governments. In this type of transaction the Department of Commerce receives a statement from the Department of Agriculture that a certain item and amount is a direct government-to-government transaction. The Department of Commerce issues the necessary license to the Department of Agriculture providing for clearance through customs of the designated shipments.

(2) A second type of license is granted on the recommendation of a foreign government, to a commercial exporter nominated by such government.

(3) The third and most largely used type of license is that issued to commercial exporters against the country quota. Distribution of such licenses is fixed on a basis of 85 percent to historical exporters and 15 percent to newcomers. Historical exporters are defined by the Department of Commerce as those who made shipment of the commodity concerned to the destination concerned during a base period considered appropriate after consultation with the trade and various Government agencies whose activities have given them knowledge of trade practices.

(e) *Allocation of coal.*—Allocations to countries of coal are recommended to the Department of Commerce by the United States Coal Operating Committee, an advisory agency in Washington, established as an informal group and on which the Departments of State, Commerce, and Interior, the Office of Defense Transportation, and the Maritime Commission are represented.

Its recommendations are made upon review of the requirements of foreign countries seeking coal from the United States and consideration of the recommendations of the European Coal Organization, an international agency which observes the world sources of supply and requirement, using information submitted by the Department of Commerce concerning domestic production and needs.

(d) *Licensing of coal.*—Licenses are issued for exports to specific countries by port of exit, to private exporters by the Office of International Trade in the Department of Commerce. The following agencies assist in the exportation of coal:

(1) The Office of Defense Transportation (ODT) determines the availability of rail transportation to move coal to ports and issues appropriate priorities.

(2) The Maritime Commission determines the availability of oceanic transportation and issues appropriate priorities for shipment to foreign piers.

(e) *Allocations of industrial materials.*—The Office of International Trade of the Department of Commerce develops estimates of exportable surpluses, usually by calendar quarters which are presented to an advisory committee, called the export policy committee. This committee consists of a chairman responsible to the Secretary of Commerce, and includes representatives of the Departments of Commerce, State, Agriculture, Interior, the Office of Defense Transportation, and the Housing Expediter.

This committee reviews export estimates made by the Department of Commerce on the basis of their impact on the domestic economy and makes recommendations to the Department of Commerce.

(f) *Licensing of industrial materials.*—The function of licensing industrial materials is performed by the Office of International Trade (OIT) of the Department of Commerce. This licensing is handled on a straight commercial basis, with some few exceptions such as tin plate.

B. TITLE III—SECOND WAR POWERS ACT

On June 28, 1940, the First Priorities Act was approved (54 Stat. 676). This act conferred upon the President the power to assign priorities for certain war contracts. This act was amended by the act of May 31, 1941 (55 Stat. 236), which broadened the priorities power and added the power to allocate materials and facilities in short supply. Title III of the Second War Powers Act, approved March 27, 1942 (56 Stat. 176), added certain administrative features to the earlier acts. This legislation authorized the President to assign priorities for the delivery of materials under contract or orders of the Army or Navy, lend-lease, contracts or orders which the President deemed necessary or appropriate for the defense of the United States, and subcontracts or suborders which the President deemed necessary or appropriate for any of the foregoing contracts or orders. He was also authorized, whenever satisfied that the fulfillment of requirements for

the defense of the United States would result in a shortage of the supply of any material or of any facility for defense, for private account, or for export, to allocate such material or facility in such manner and upon such conditions and to such extent as he should deem necessary or appropriate in the public interest and to promote the national defense.

By Executive Order No. 9025 of April 7, 1942, the President delegated his allocation and priorities powers to the Chairman of the War Production Board. Powers as to foods were vested in the Secretary of Agriculture and as to transportation equipment in the Office of Defense Transportation. In November, 1945, the War Production Board was terminated by subsequent Executive order, and the powers and functions of the Chairman were transferred to the Administrator of the Civilian Production Administration. Thereafter, by Executive Order 9809 of December 12, 1946, the President consolidated the functions of the Civilian Production Administration into the Office of Temporary Controls and transferred the powers of the Administrator of the Civilian Production Administration to the Temporary Controls Administrator. Finally, by Executive Order 9841 of April 23, 1947, the title III powers remaining in the Temporary Controls Administrator were transferred to the Secretary of Commerce.

Subsequent to its approval on March 27, 1942, title III of the Second War Powers Act was extended from time to time, down to March 31, 1947 (Public Law 509, 78th Cong.; Public Law 270, 79th Cong.; Public Law 475, 79th Cong.). On that day, March 31, 1947, Congress passed and the President approved the First Decontrol Act of 1947. The First Decontrol Act provided that title III of the Second War Powers Act shall remain in force until June 30, 1947, for the following purposes:

(a) Allocations of cinchona bark and cinchona alkaloids, manila (abaca) fiber and cordage, agave fiber and cordage, tin and tin products, antimony and streptomycin; (b) allocations limited to control of production for export of tractors; (c) allocations of the use of transportation equipment and facilities by rail carriers; (d) allocations of materials or facilities for export which are required to expand the production in foreign countries of materials critically needed in the United States; (e) allocations of materials or facilities which are certified by the Secretaries of State and Commerce as necessary to meet international commitments.

The act provided, however, that any materials or facilities which were not being allocated on March 24, 1947, shall not be allocated thereafter under the provisions of such title III.

In his message to the Congress on May 22, 1947, the President did not request the continuance of controls over streptomycin or of production for export of tractors. It may be noted here that control of the use of transportation equipment and facilities by rail carriers, provided for in the First Decontrol Act, is covered by a separate bill (S. 1297), now on the Senate Calendar, and is not included in the present bill.

II. SCOPE AND IMPLICATIONS OF POWERS

The committee believes that the scope and implications of the powers granted in wartime, and now exercised in peacetime by the President under these acts, must be recognized, if efficient administration and

early decontrol are to be achieved. A brief discussion of some of the important considerations follows.

A. EXPORT CONTROLS

During the war all exports were under control. These comprised approximately 3,200 commodities or commodity classes. Following the war the area of control was contracted so that as of October 1, 1946, the number of commodities or commodity classifications under export control stood at 727. Today, 397 are on the control list of the Department of Commerce—which exercises the licensing powers, curtailing or forbidding exports—divided into 19 major groups as follows:

- Meat and meat products.
- Animal and vegetable fats and oils.
- Dairy products.
- Fish and fish products.
- Grains and preparations, including barley, corn, rice, and flour.
- Fodders and feeds.
- Sugar.
- Crude rubber.
- Fibers.
- Building materials.
- Coal.
- Petroleum products.
- Steel-mill products, including tin plate, scrap, steel pipe, wire, nails, and other iron and steel manufactures.
- Copper, brass, lead, zinc, and tin and their manufactures.
- Electrical machinery and apparatus, such as batteries, small motors, and electrical conduits.
- Industrial chemicals and fertilizers.
- Medicinal and pharmaceutical preparations, including streptomycin, quinine, and insulin.
- Pigments for paints and varnishes, etc.
- Soap and toilet preparations.

The Department of Commerce deserves commendation for the numerical decontrol which it has effected, but it must be pointed out that the type of commodities controlled and their value reflect more accurately the extent of the power exercised than does the mere number of controlled commodities.

Mr. Francis McIntyre, Deputy Director for Export Control, Commodities Branch, Office of International Trade, Department of Commerce, states that in the calendar year 1946 the value of exports under control was approximately \$2,500,000,000, representing about 26 percent of the total of all exports in that year, of approximately \$9,800,000,000.

Mr. McIntyre also states that the annual value of exports currently controlled approximates \$3,750,000,000, or about 26 percent of the value of all exports, indicated at around \$14,500,000,000 for 1947, based on the first 4 months. The rate of exports for April is much higher than for the first 4 months.

The current volume of exports is indicative of world shortages and the demands being made upon the United States for foods, manufactured goods, and raw materials is the largest in our history. It is nearly three times the prewar record in 1929 of \$5,241,000,000 and compares with other prewar years as follows:

1934.....	\$2, 133, 000, 000	1938.....	\$3, 094, 440, 000
1935.....	2, 282, 000, 000	1939.....	3, 177, 176, 000
1936.....	2, 455, 978, 000	1940.....	4, 021, 146, 000
1937.....	3, 349, 167, 000		

1. Effect on domestic economy

It is evident that the power to contract or enlarge exports directly enlarges or diminishes the supply of goods and foods available for domestic use, affects domestic prices and the incentive to reduce or expand production.

The limitation of exports insulates our markets from the full impact of the world demand for our goods and holds domestic prices at levels lower than they otherwise would be. Conversely, the expansion of exports raises domestic prices. It must be recognized that export controls, while not specifically advocated for that purpose, are, in effect, price controls.

The situation affecting wheat affords a significant illustration. According to Dr. D. A. Fitzgerald, Director-General of the International Emergency Food Council, world wheat production for the 1947-48 crop year will approximate 5.7 billion bushels, or about 250 million bushels less than in prewar. With population increases demand will be above prewar.

Since rye and rice may be substituted for wheat, it is difficult to demonstrate the exact amount of wheat shortage, but the shortage of the three grains is placed by Dr. Fitzgerald at 1.9-2 billion bushels for the year 1947-48, with supply estimated at about 12.1 billion bushels and demand at 14 billion.

With this huge excess of demand over supply it is clear that in a free world market, wheat would sell substantially higher than current domestic prices of around \$2.15-\$2.25 a bushel. Argentine wheat, in fact, is selling in the world market for \$4.25-\$5 a bushel. Dr. Fitzgerald estimates that without export controls domestic wheat prices would rise "at least 25 percent."

On the surface it might appear that this country would benefit from the lifting of export controls through higher incomes for producers of goods affected by world prices. However, such a conclusion would overlook the fact that the United States, through loans and grants, is financing the ability of other countries to buy our supplies of wheat and other goods, and through direct appropriations, is paying the costs of occupation of those areas of Germany, Japan, Korea, and Austria where our troops are in control. Occupation costs approximate 1 billion dollars a year, while our total grants, loans, and commitments thus far approximate 18 billion dollars.

A free world market would mean higher domestic prices for wheat, steel, coal, and numerous other commodities now under export control. Moreover, to the extent that these goods were supplied to war-devastated countries, to whom grants and loans have been made, and to occupied territories, the cost of this price rise would fall, directly or indirectly, on American Taxpayers. No attempt is made to appraise the general economic effects of a further price rise upon living and business costs.

2. Relation to foreign policy

The United States is in a position of world leadership, and our foreign policy vitally concerns not only our own people, but all other peoples of the world. The success of our foreign policy rests on our ability to do the things that we say we are going to do at the times we say we will. To embark upon programs without the capacity to carry them out effectively, and on time, is to court disaster.

Export controls serve as an essential instrument for channeling exports of certain commodities, such as foods and coal, to particular countries in accordance with our foreign policy. This country is participating with other countries in determining allocations of essential supplies in world short supply to prevent their maldistribution. With respect to certain of these commodities, namely, fats and oils, rice and rice products, import controls operate to prevent an undue flow into the United States at the expense of other countries in greater need. With respect to certain others, such as fertilizer, of which the United States is the major supplier, in addition to import controls, export priorities aid in directing exports to specific destinations. A ton of fertilizer is reported to be as effective as 10 to 15 tons of food exported insofar as satisfying the food requirements of some countries is concerned. Priorities facilitate direction of individual exports to destinations desired to promote production abroad of essential goods imported into the United States.

B. POWERS, TITLE III, WAR POWERS ACT

1. Import controls, allocations, and priorities

Under title III of the War Powers Act, as proposed to be amended by Senate bill 1461, the President is authorized to control imports of tin and tin products, cordage fibers, antimony, fats and oils, rice and rice products, and nitrogenous fertilizer materials, which controls, though in lesser degree than the control of exports, influence in the same manner domestic prices and production.

2. Powers of domestic allocation of commodities in short supply

The President has power to select manufacturers or processors to whom the short supplies of tin and tin products, cordage fibers, and antimony, whether imported or of domestic production, shall be sold, fix the amount of such materials that each shall receive, and to designate the "end use" or products which shall be processed or manufactured from such materials. As an example, certain cordage fibers are purchased by the Reconstruction Finance Corporation and allocated by the Department of Commerce to manufacturers with the requirement that they be manufactured into three "end uses"—binder twine, bailer twine, and rope.

3. Priority powers

The President has the power to require priority of production, priority of transportation, and priority of export of—

(a) Nitrogenous fertilizer materials. This embraces the authority to require producers to set aside a certain part of production for export, to allocate exports to designated countries, and to assure prior shipment to such countries.

(b) Materials which he determines would expand or maintain the production in foreign countries of materials critically needed in the United States. As an example of the use of this authority, the shipment of steel pipe to Venezuela and Saudi Arabia has been required for the purpose of developing oil production in those countries, upon a determination that such oil production is of critical importance to this country.

(c) Materials (except foods, food products, and fertilizers) upon certification of the Secretary of State that the prompt export of such

materials "is of high public importance" and essential to the successful carrying out of the foreign policy of the United States. The powers discussed, in the subsections (b) and (c) above, extend to all materials which are necessary for the manufacture and delivery of the ultimate material to be exported. As an example of the application of this power, Hon. Dean Acheson, Under Secretary of State, testified that three bridges and a tunnel were needed to restore the Athens-Salonika Railway, and that the lack of a single item delaying the restoration of one of these would affect the program of rehabilitation, largely dependent on transportation, to which the United States is giving aid. The power could be used to secure priority of production and export of such needed materials.

The example given in (c) above illustrates one use of the granted powers to implement the foreign policy of the United States with respect to Greece. Generally, it can be said that through the use of export controls and the powers exercised under title III of the War Powers Act, supplies of food and essential materials can be made available to the Army for use in our occupation zones in Germany, Japan, Austria, and Korea, and to countries in great need; and can be directed to countries which are of interest to this country in relation to its foreign policy.

The purpose of the committee thus far in detailing the extent of the powers granted to the President is not primarily to justify the grant, but to emphasize their great impact upon supply, prices, and distribution in the domestic economy, their relation to the successful implementation of our foreign policy, and the necessity of coordinated and efficient administration.

III. SCOPE OF HEARINGS HELD BY SUBCOMMITTEE AND TESTIMONY

To determine the necessity for continuing controls, and to examine thoroughly their administration, the subcommittee of the Judiciary Committee of the Senate to which this task was assigned held extended hearings on both export controls and the powers exercised under title III of the Second War Powers Act.

A. EXPORT CONTROL HEARINGS

With respect to export controls, 7 hearings were held, 23 witnesses heard, and 642 pages of testimony taken. The following Government witnesses testified in support of extension of powers or in explanation of the program:

C. Tyler Wood, Deputy to Assistant Secretary of State for Economic Affairs, State Department.

Robert Johnson, Deputy Housing Expediter, Office of Housing Expediter.

Lt. Col. R. F. Hartman, Export-Import Section, Civil Affairs Division, War Department.

Maj. Gordon O. Fraser, Chief, Food Section, Civil Affairs Division, War Department.

Maj. J. G. K. Miller, Economic Section, Civil Affairs Division, War Department.

Capt. Granville Conway, coordinator, emergency export programs and president, Cosmopolitan Shipping Co.

W. T. Hart, industrial specialist, Office of Materials Distribution, Department of Commerce.

N. E. Dodd, Under Secretary of Agriculture, Department of Agriculture.

Thomas C. Blaisdell, Jr., assistant to the Secretary of Commerce, Department of Commerce.

Francis E. McIntyre, Deputy Director, Commodities Branch, Office of International Trade.

Nathan Ostroff, counsel, Office of International Trade, Department of Commerce.
Carl C. Farrington, Assistant Administrator, Production and Marketing Administration, and Vice President, Commodity Credit Corporation.

The committee also heard Mr. Carl H. Wilken, representing Mr. R. A. Trovatten, commissioner of agriculture, Minnesota, who testified in opposition to the program, and Mr. M. H. Varn, formerly with the Department of Commerce, who testified in explanation of the program.

Every effort was made to secure the testimony of interested industries, trade associations, exporters, and interested individuals, and in addition to the ordinary methods of notice, the following organizations were invited to appear:

- American Farm Bureau Federation
- National Grange
- National Farmers Union
- American Livestock Association
- Farmers Corp., Greeley, Colo.
- Texas and Southwestern Cattlemen's Association
- American Mining Congress
- National Paint, Varnish, and Lacquer Association
- American Meat Institute
- Manufacturing Chemists' Association
- Millers' National Federation
- National Cooperative Milk Products Association
- National Coal Association
- National Lumber Manufacturers' Association
- Wisconsin Council of Agricultural Cooperatives
- Wisconsin Cheese Products Association
- National Association of Real Estate Boards
- West Coast Lumbermen's Association
- National Petroleum Association
- Independent Petroleum Association
- Mid Continent Oil and Gas Association.

In addition, notice was given companies or individuals engaged in producing or using individual products such as tin plate and leather.

Those who appeared, and their position with respect to extension, are as follows:

Name	Commodity	For or against extension
W. C. Schiltuis, vice president, North American Export Grain Association, Westport, Conn.	Grain.....	In favor, with modification.
W. B. Fox, C. B. Fox & Co., representing National Grain Trade Council, New Orleans, La.	.....do.....	Do.
F. F. Estes, executive secretary, Coal Exporters' Association of the United States, Washington, D. C.	Coal.....	Do.
J. R. Blunt, West Coast Lumbermen's Association.....	Lumber.....	Opposed.
Henry Bahr, secretary, National Lumber Manufacturers' Association, Washington, D. C.	.....do.....	Do.
Joseph T. King, counsel, National Retail Lumber Dealers Association, Washington, D. C.	.....do.....	In favor.
W. D. Parlour, Southern Lumber Exporters Association, Inc., Washington, D. C.	.....do.....	Do.
Martin Smith, general manager, Flour Millers Export Association, Washington, D. C.	Flour.....	Do.
Russell B. Brown, general counsel Independent Petroleum Association of America, Washington, D. C.	Steel pipe.....	Opposed.
John A. Ferguson, executive director, Independent Natural Gas Association of America, Washington, D. C.	.....do.....	Do.

In addition to Government agency and individual witnesses, Senator Edward Martin, chairman of the Steel Subcommittee of the Senate Small Business Committee, testified and presented a statement on behalf of his committee concerning the impact of export controls on small business. Mr. R. R. Dickey, chief counsel of the committee, also testified. Further reference to Senator Martin's testimony and the report in full will be found in the discussion of steel which follows in the report.

The committee also received testimony from Dr. Dennis A. Fitzgerald, secretary-general of the International Emergency Food Council, and Mr. Morse Salisbury, deputy secretary-general of the Council.

It is the function of this Council to receive from all member governments in need of allocated foodstuffs, statements of their resources, requirements, and the urgency of their needs.

This information is analyzed by the staff of the IEFC, and tentative recommendations are made, allocating exportable surpluses to deficit countries. In the course of the hearings the representatives of the Council testified that 90 percent of its recommendations were adopted.

Besides the testimony presented at the hearings and statements placed in the record many letters and statements were submitted, all of which were given full consideration. A brief review of testimony heard concerning major or controversial commodities under export control follows:

1. Steel

Mr. Thomas C. Blaisdell, Jr., assistant to the Secretary of Commerce, testified that world demand for steel-mill products was greatly in excess of supply and controls were needed to protect American companies. No producers of steel testified and the only substantial testimony heard was submitted by Senator Edward Martin, who, as chairman of a subcommittee of the Small Business Committee, has been conducting an investigation of steel. His excellent and thorough report follows:

STATEMENT BY SENATOR EDWARD MARTIN, CHAIRMAN OF THE STEEL SUBCOMMITTEE OF THE SENATE SMALL BUSINESS COMMITTEE BEFORE THE SENATE JUDICIARY SUBCOMMITTEE CONSIDERING THE RENEWAL OF THE EXPORT CONTROL ACT, REGARDING THE EXTENSION OF EXPORT CONTROLS ON STEEL

Mr. Chairman, it is my understanding that the subcommittee of the Senate Judiciary Committee, of which you are chairman, has completed hearings upon H. R. 3049, a measure to continue in effect section 6 of the act of July 2, 1940 (54 Stat. 714), as amended, relating to the exportation of certain commodities.

In this connection I would like to call your attention to the hearings which have been in progress by the Steel Subcommittee of the Senate Small Business Committee since May 15, 1947. These hearings have been concerned with an investigation of shortages in steel which are affecting the welfare and survival of smaller manufacturers and users of steel. In fact, as 95 percent of our domestic manufacture uses steel, the supply and distribution of steel is a basic consideration in our entire national economy.

In these investigations, we have made some study of the situation with respect to shipments of steel in export, and while our inquiry into this situation is not completed and further sessions with the Department of Commerce and with the State Department are on our schedule of hearings, I would like at this time to express some of the facts in relation to the renewal and administration of the Export Control Act (as it pertains to steel) for your consideration.

Steel, and practically all steel products, are in short supply; not in relation to the volume of tonnage being produced, but in relation to a heavy and rising demand. Steel mills are operating at approximately 95 percent of capacity, and are producing finished steel at the rate of 65,000,000 short tons for the year 1947. This is considerably higher than the 49,000,000 tons produced in 1946, and the 46,000,000 tons produced in 1940 (approximate figures).

However, reviving domestic manufacture, rising per capita use of steel, work stoppages affecting the production of steel, and mounting pressures for export of steel have combined to produce a short market in steel.

In spite of this increased demand, and rising per capita use of steel, the steel-producing industry does not intend to increase its capacity, and states further that existing facilities are sufficient for long-term demand. Thus, with a lid on production, and a currently rising demand from every area, the pressures have developed a number of inequities of distribution, under which numbers of smaller concerns are suffering and actually being forced to go out of business.

There apparently is also an increased effort on the part of steel producers to develop export markets, with emphasis on South America. Thus we find that pressures are very much in evidence to cause removal of steel from export control. In fact, so anticipatory that in last Saturday's Washington Post, I noticed an article that stated millions of tons of steel will be going to Saudi Arabia within the next month or two. No such tonnage could be supported giving due consideration to our domestic need, nor could such tonnage be possible under proper export control.

The attention of the Steel Subcommittee was originally called to the steel export situation by a number of complaints from small manufacturers and users who claimed that large shipments of sheet steel abroad were causing their difficulty, and other complaints from independent oil producers, from ranchmen and farmers, who protested that large shipments of steel pipe abroad were making it impossible to secure any pipe for oil and gas lines to supplement our domestic supply, and for wells and watering systems for farms and livestock.

The natural-gas and oil shortage has reached serious proportions, as recently stated in news releases, and the Interior Department confirms the possibility of fuel-oil and natural-gas shortages for this fall. While oil-barge and other transportation problems were mentioned as a cause, investigation by the Senate Small Business Committee indicates the pipe shortage is also a contributory factor.

In securing figures from the Bureau of the Census on steel exports for the year 1946 and the first 3 months of 1947, we find total exports on the rise in 1947 over 1946, at the rate of what will appear to be a million and a half more tons this year. This represents also about a million more tons of export than shipped in the prewar year of 1938 when there was no shortage of steel and exports were unrestricted. Exports of such critical items as sheet steel and steel pipe and tubing have doubled and trebled in 1946 and 1947 over shipments of those items in normal prewar years.

The Steel Subcommittee was especially interested in shipments of sheet steel and steel pipe, and the countries to which these shipments were being made. Census figures indicate that our prime country of export on most steel products, especially on the vital sheet steel, is Canada. Next in volume are such countries as Argentina, Brazil, Chile, Switzerland, and other nations certainly not involved in war-rehabilitation projects. Lesser shipments have gone to France and Italy, as we might expect, but not in the degree nor of the critical items as shipped to South America.

In the case of steel pipe, Brazil, Argentina, Venezuela, and Russia are chief recipients. In the case of Venezuela, investigation has shown that American oil firms are developing new oil resources in Venezuela, which accounts for the large pipe shipments to that country. In the case of Russia, however, it is difficult to figure out any reason for the shipment of 65,000 tons of steel pipe and tubing to that country in 1946, with continued shipments of pipe still going forward—not to mention other steel products, as well. It is not probable that the United States will secure any oil as a result of pipe shipments to Russia, nor for that matter any other trade or economic considerations.

A clipping from yesterday morning's Washington Post gives further information on the oil-shortage situation in this country, and includes a brief but pointed statement that Russia is sending its fleet over to get United States gas and oil.

To resume the steel-export story: In examining export-control administration in the Office of International Trade in the Department of Commerce and by the export policy control committee, it was discovered that a "simplified" method of issuing export licenses has resulted in a number of conditions: (1) No control

is maintained on the destination of exports permitted under the export license; (2) relatively little policing of the qualifications or statements submitted by the export licensee is done; (3) no knowledge is available of the end use of the steel products being shipped in export; (4) export quotas seem to be quite elastic and variable, as determined by Government-sponsored projects.

By this last point it is meant that the export policy control committee, an interagency group under the general direction of the Commerce Department, ostensibly sets steel export quotas in relation to the strain upon the domestic economy, then it may permit a 20 percent increase to be shipped "ex quota"; and then along may come a Government-sponsored project for which may be issued an export license in any amount over and above the original quota (which was supposed to have been set at a level not to disrupt the domestic economy).

The subcommittee is endeavoring to obtain a list of Government-sponsored projects from the Department of Commerce and the amount of steel exports involved in each. Such Government-sponsored projects, we understand, may be based upon both diplomatic and international trade considerations (and, of course, national defense), and are generally agreed to with the approval of the State Department. Our information is not complete on this subject, but it is of great importance in the steel-export picture as it is evidently a matter beyond the control of the nominal export-control officials.

Going further into the export picture, it was discovered that in the instance of Canada (our largest receiver of steel products in export), there are no export controls and shipments may be made to Canada in any amount at any time. This situation seemingly dates back to the "Hyde Park agreement" between Prime Minister Mackenzie King and the late President Roosevelt, made during the war, by which controls were eliminated on exports to Canada for a number of wartime considerations. The question which is naturally raised is whether or not the Hyde Park agreement has been reviewed in the light of present-day economics with respect to steel exports (and undoubtedly other products), to determine why export controls should not be put into effect between Canada and the United States. It is interesting to note that Canada has never removed her export controls upon her shipments to the United States.

The increase of steel shipments to Canada is marked—409,279 tons of steel products were shipped to Canada in 1938; 876,135 tons were shipped in 1946, and steel products are being shipped to Canada at the rate of over a million tons per year at the end of the first quarter of 1947. Of this total, sheet-steel shipments are unusually large, which means that steel products such as stoves, refrigerators, and hundreds of other finished products using steel are being manufactured in Canada, rather than the steel going to our own steel manufacturing industry for production of finished products needed here, and necessary to provide employment in the United States. Also, as no check is maintained on end use of steel export shipments it is possible that some steel shipped to Canada may find its way out of Canada to other countries in export.

While normal exports are to be desired, to maintain foreign markets and to promote worth-while and reciprocal projects, it is my opinion that the export situation is "out of control" and that a stronger hand with regard to exports of steel is of vital importance at this time.

To remove controls on steel would undoubtedly open the floodgates for the highly lucrative export market. Prices being secured for steel in export are twice and three times the mill price in the United States. At the same time an inadequate control, aggravated by the failure of the Department of Commerce to allocate existing manpower and funds, is also causing another set of problems in the Office of International Trade in the Department of Commerce. I believe that existing controls should be strengthened.

As chairman of the Steel Subcommittee, I would like to submit for the consideration of your subcommittee and the full Judiciary Committee of the Senate, the following conclusions with respect to continuation of export controls and the strengthening of existing controls:

1. Export controls on steel should be continued for at least another 12 months, and should be reviewed at that time to determine the pressure of domestic demand.

2. The Export Control Act should be amended to provide for certain administrative requirements:

- (a) That designation of destination be required on the issuance of all export licenses, and, as far as possible end use of the steel must be indicated.

- (b) That the procedures for issuing export licenses require detailed qualifications and identification of licensee, and that severe penalty be provided against forgeries, sales of licenses, and misrepresentation.

(c) That export licenses must be used within the quarter for which they are granted and for the purpose for which granted to the original licensee.

(d) That a review of the Hyde Park agreement with Canada be made at once by the responsible Government agencies, with a view to establishing export controls on steel exports to Canada.

(e) That there be set forth in the extension of the Export Control Act language directing the establishment of industry export advisory committees consisting of all segments of the industries coming under the export control; and that the export-policy-control committee be required to seek and give consideration to the recommendation of such committees, particularly with regard to the effect which export quotas and Government special projects might have on the domestic economy.

(f) That the export-policy-control committee be thoroughly investigated as to qualification of personnel and methods of operation, especially with respect to its policies for determining export quotas.

(g) And that when such quotas are determined due consideration will be given to see that small and newly established businesses in the export and import trade will be given a fair and equitable share of such quotas.

2. Coal

The testimony of Mr. Thomas C. Blaisdell was to the effect that normal coal production had not been reestablished in Europe, England, and Wales. Export licensing is handled in such a manner as to utilize our maximum coal-loading facilities along the Atlantic, Gulf, and Pacific coasts. Exports of metallurgical coke, which is very short, are negligible.

Mr. F. F. Estes, executive secretary of the Coal Exporters Association, initially opposing controls, testified that, the war being over and the coal mines equipped to produce sufficient tonnage to meet all domestic demands, including an estimated export tonnage of 40,000,000 tons in 1947, controls were no longer necessary. Total production is now running at an annual rate of about 550 to 600 million tons. He also testified that the export demand would be the capacity of the piers, that at present the piers could not handle all the coal offered. In a letter submitted after the testimony was recorded, Mr. Estes withdrew his request for immediate exemption of coal from export controls.

3. Lumber

Mr. J. R. Blunt, representing the West Coast Lumbermen's Association, opposing control, testified that Douglas fir, representing one-third of the total soft lumber and one-fourth of all lumber production supply, is now in excess of demand; that removal of controls would not curtail supplies needed for domestic market, since only a small proportion of Douglas fir is suitable for millwork and flooring, now short. He testified that in 1939 exports were 416,960,000 board feet or 6.42 percent of total Douglas fir production of 6,494,000,000 board feet; in 1946 exports were 322,000,000 board feet or about 5 percent of total production of 6-6.5 billion board feet.

Mr. W. D. Parlour, representing the Southern Lumber Exporters' Association, supporting control, testified that there was a world shortage of lumber, the United Kingdom alone having placed orders in this country thus far in 1947, for 360,000,000 board feet of Douglas fir, or 40,000,000 more than exported to all foreign countries in 1946. In that year, 1946, the United Kingdom received about 40,000,000 feet of Douglas fir. United Kingdom orders for southern pine, he said, are now running at an annual rate of 150,000,000 board feet, or more than was exported to all foreign countries in 1946. United Kingdom received no southern pine in 1946. Total exports of southern pine in

1946 were 146,000,000 board feet, or 1.54 percent of production of 9.5 billion board feet. Prewar exports ran around 4½-6 percent of production. He pointed out that, while Russia, Finland, and Sweden were heavy exporters of lumber in prewar years only limited supplies were now available from those countries to meet European needs.

Mr. Joseph T. King, counsel for the National Retail Lumber Dealers' Association, supporting controls, expressed fear that, with controls removed, lumber producers would concentrate on the lower grade for export, to the detriment of better grades needed in this country.

Mr. Francis E. McIntyre, Deputy Director, Commodities Branch, Office of International Trade, Department of Commerce, stated that representations had been made to the Office of the Housing Expediter for approval of somewhat larger export quotas of building materials. He said that further increases would be asked unless there is a reversal of the present decline in building activity.

Mr. Robert Johnson, Deputy Housing Expediter, testified in favor of continuing export controls on building materials in general but expressed agreement with the statement that there was a current oversupply of some types of lumber. Mr. Johnson said that while new residential building was still ahead of last year, the indicated volume for 1947 is so far below estimates generally expressed at the start of the year, of around 1,000,000 units, that, considering the expansion in lumber production, his Office would be glad to consider a recommendation from the Commerce Department for a further relaxation in export quotas on lumber. Some easing of these quotas has already been effected this year. Under the Veterans Housing Act of 1946, the housing expediter has power to control exports of building materials.

4. Grain

Mr. N. E. Dodd, Under Secretary of Agriculture, testified that world shortages of food are expected to continue in 1947-48. He pointed out that grains are basic, both for human and animal feeding. During the year ended June 30, 1947, he said the United States will have shipped over 500 million bushels to war-devastated countries including the occupation zones of Germany and Japan. The Department of Agriculture is guided both by War Department recommendations and the advices of the International Emergency Food Council.

Detailed discussion of the statistical position of grains and the extent of world needs in relation to supply as presented by Dr. Fitzgerald is given in section II-A-1 of this report.

No trade testimony opposing extension of export controls on grain was offered. However, Mr. W. C. Schilthuis, vice president, North American Grain Exporters Association, stated to represent the entire export grain trade of this country and Canada, claimed that the private grain trade could handle exports more efficiently and more economically than the Department of Agriculture. He cited figures purporting to show excessive prices paid by the Department and claimed the charges made for commissions and handling were too high.

Mr. Dodd contended that the handling of the major portion of the wheat exports by Commodity Credit Corporation results in a larger total volume of cereal exports and in the more effective direction of these exports to the areas where they are most needed, at the time they are needed.

The grain trade he said, and as Mr. Schilthuis pointed out, signs firm contracts to deliver grain at a specific time and place.

According to Mr. Dodd, the Commodity Credit Corporation, because it is supplying wheat to all claimants, can shift its supplies between claimants as physical and other factors require. If a foreign-flag ship fails to berth on schedule, Commodity Credit Corporation can load the wheat originally scheduled for such ship into another ship and replace the grain when the foreign-flag ship shows up. He said that the grain trade has no comparable flexibility.

Much as it would be desirable to announce allocations further in advance of loading months, which would make more feasible private grain-trade control of wheat exports, the urgency of the requirements has made this impossible in the past and unlikely at least for the near future, Mr. Dodd said. With the Commodity Credit Corporation handling all the wheat, immediate shifts in destinations can be made as crises abroad arise.

If all the wheat was sold by the grain trade direct to foreign buyers, there would be no flexibility for meeting emergencies, Mr. Dodd states. It was also pointed out that a considerable proportion of sales is made to agencies of other governments who prefer to deal with a single large seller rather than a large number of smaller ones. Finally, Mr. Dodd pointed out that the facilities of the private grain trade are being used exclusively in the physical handling and delivery to seaboard of wheat purchased by Commodity Credit Corporation, but that control of the export movement by private trade was not advisable at this time.

Captain Granville Conway, coordinator, emergency export program, in the Executive Office of the President, testified that, in his opinion, private grain exporters could handle grain as efficiently, or more so, than the Department of Agriculture.

5. Meat.

Mr. Thomas C. Blaisdell, Jr., assistant to the Secretary of Commerce, testified that because of the world shortage of high-protein foods, meat exports would increase substantially if controls were lifted. Domestic demand, he said, is at unprecedented levels, and supply, due to a decline in the number of meat animals on farms, is below normal.

Dr. Dennis A. FitzGerald, Secretary-General of the International Emergency Food Council, testified that, under current controls, meat exports in the first half of 1947 amounted to 500,000,000 pounds or about 1 week's supply. In answer to a question concerning the effect of meat exports on prices he replied, "If you export only 1 pound of meat you have to expect some impact on domestic prices, but the current exports which amount to only 4 or 5 percent of production are a very minor factor in current meat prices."

No testimony from the meat industry was presented at the hearings.

6. Petroleum

Mr. Blaisdell testified that the only petroleum products under export control were certain paraffin waxes essential in the production of waxed paper cartons. Since his testimony was given the Department of Commerce has announced reinstatement of export controls on petroleum.

No trade testimony concerning petroleum exports was offered. After the hearings were closed, however, newspaper accounts of

shipment of oil to Russia provoked many inquiries from Members of Congress and the public. In response to inquiries by Senator Alexander Wiley, chairman of the Committee on the Judiciary, and Senator John S. Cooper, chairman of the subcommittee, the following letters were received:

DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington 25.

HON. ALEXANDER WILEY,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR: Reference is made to your oral request of June 17, in which you stated that your constituent, Dr. George T. Hegner, had telegraphed you, "Why are we shipping oil to Russia?" You asked that the Department of Commerce furnish you information in order that you might answer the said telegram.

News items appeared on June 16, stating that a fleet of about 12 Soviet tankers had arrived in California for cargoes of petroleum products. This report is true. As of June 17, two of these tankers had loaded fuel oil, destined to Vladivostock. The remaining tankers were expected to load shortly thereafter for the same destination; type of product to be loaded had not been announced.

Total petroleum products to be loaded by the tankers in question should approximate 700,000 barrels. For the past 2 or 3 years, Russian tankers have made similar loadings seasonally in California, transporting their cargoes to Siberian ports during the ice-free summer months. Exports in 1945, from the United States to Russia, approximated 5,000,000 barrels; in 1946, 2,500,000 barrels. For the first quarter, these exports were only 72,000 barrels. Therefore, the present lifting of some 700,000 barrels is not abnormal.

The Soviets do not possess sufficient indigenous crude oil on their Pacific coast to satisfy their requirements there. It is more economical for the Russians to buy these supplementary products in California than it is for them to transport their own oil from the Black Sea or to obtain the oil from non-Russian sources in the Persian Gulf. When the petroleum industry is rehabilitated in the Netherlands East Indies, it is probable that the Russians will lift their supplementary Pacific coast requirements there instead of California.

There are no export-control restrictions on fluid fuels. The Soviets purchased the products on a strictly commercial basis and are transporting the oil in their own tankers.

If additional information is required, please communicate further with us.

Sincerely yours,

THOMAS C. BLAISDELL, JR.,
Assistant to the Secretary for International Trade.

DEPARTMENT OF COMMERCE,
OFFICE OF INTERNATIONAL TRADE,
Washington 25, D. C., June 23, 1947.

HON. JOHN SHERMAN COOPER,
United States Senate, Washington, D. C.

DEAR SENATOR COOPER: When I met with you Saturday afternoon you requested some additional information with respect to export control. A considerable portion of this material was covered in our letter to you of June 20, which, of course, you had not had an opportunity to review at the time of our discussion (since I had delivered it to Mr. Patterson only a few minutes earlier).

New developments upon petroleum about which we have not written you are as follows:

At last Tuesday morning's meeting of Cabinet officers and industry spokesmen evidence was presented showing that this Nation faces a petroleum crisis in the coming fall and winter. Even if no coal strike occurs and if there are no shut-downs in oil refining, tank-car utilization, and tanker transportation, local shortages will occur. If any of these factors turn unfavorable, or if the winter is exceptionally cold, serious injury to this Nation's economy is anticipated by the specialists who spoke at that meeting both for industry and Government. Under these circumstances, the Department of the Interior has already requested immediate imposition of petroleum-export controls and at a hearing Saturday

morning Representative Shafer of the House Armed Services Committee called vigorously for such action. We are prepared, of course, to take all steps within our power to protect the domestic economy from injury, but we are today in the position of considering control of petroleum exports for the period of a single week. Such protection cannot be provided this Nation beyond next Monday unless the Congress acts to extend this authority.

A critical situation is also arising with respect to steel pipe. This product was in relatively free supply during 1946, and in fact controls were imposed late that year primarily because of the threatened large drain of petroleum pipe to Russia. As soon as the Russian orders were withdrawn, the Civilian Production Administration advised us that the supply situation would permit the complete decontrol of pipe. However, a survey indicated to us that welded pipe remained critical, while seamless pipe (because of its substantial higher cost) was not in severely short supply. Recent evidence indicates that shortage has become more critical, users are turning from welded to seamless pipe for export, and that recontrol of this whole category will be necessary in order to protect small business and the domestic petroleum industry; also, exports may then be directed to the particular programs abroad which best serve the interests of the United States. This direction has already been accomplished in part since much of this material moves abroad under special license for use in United States Government-sponsored projects. However, we plan to reestablish the individual license for all pipe, thus permitting complete control of end use as well as country of destination. (All of the material in this paragraph is confidential until the public announcement of recontrol of seamless pipe.)

With respect to enforcement, I believe the record of compliance will stand up favorably in comparison with similar records almost anywhere in Government or business. Of course, there are crooks and chislers in any field and high prices abroad are a temptation to some. However, the fact that these isolated cases attract so much attention is in itself testimony to the effectiveness of our confidence in the honesty of the American business community. Export control is one of the simplest and least burdensome restrictions we have, and it applies only to the last step of the export transaction so that domestic production and distribution of goods is not interfered with. I do not suggest that we are unconcerned about violations even though rare. We are considering a regulation which would require shipment only against orders received prior to the date of the license. There is nothing presently improper about an exporter soliciting a new foreign customer for a product when the order for which he secured the license has been canceled. However, the sale of a license by one exporter to another is presently subject to severe penalties. While we have run down countless stories to the effect that such sales are taking place, the evidence almost invariably evaporates into a cloud of complaint from a disgruntled exporter who believes someone else received a larger quota than he.

It would, of course, be entirely possible to require a separate export license application for every firm order the exporter received from abroad. This would involve the trade community and ourselves in thousands of additional man hours of paper work. We have been reluctant to impose this burden on the trade, and the problem of securing adequate manpower for our own staff is, of course, a major consideration.

I trust this information will answer the question you raised Saturday.

Sincerely yours,

FRANCIS MCINTYRE,
Deputy Director for Export Control,
Commodities Branch.

B. TITLE III, WAR POWERS ACT, HEARINGS

With respect to import controls and the power to allocate for domestic use, 5 hearings were held, 30 witnesses heard, and 579 pages of testimony taken. The following witnesses, representing the interested departments and agencies of government, testified in support of extension or in explanation of the program:

William C. Foster, Under Secretary, Department of Commerce.

Dean Acheson, Under Secretary, Department of State.

N. E. Dodd, Under Secretary, Department of Agriculture.

H. B. McCoy, Director, Office of Materials Distribution, Department of Commerce.

B. M. Fullerton, assistant to Mr. McCoy, Office of Materials Distribution, Department of Commerce.
 Frank E. Bennett, Chief, Chemical Division, Office of Materials Distribution, Department of Commerce.
 F. H. Hayes, Chief, Metals Division, Office of Materials Distribution, Department of Commerce.
 Franklin F. Kidd, Chief, Cordage Division, Office of Materials Distribution, Department of Commerce.
 Erwin Vogelsang, Chief, Tin, Lead, and Zinc Section, Office of Materials Distribution, Department of Commerce.
 Louis Loeb, Antimony Unit, Office of Materials Distribution, Department of Commerce.
 W. T. Hart, Nitrogen Unit, Office of Materials Distribution, Department of Commerce.
 I. C. White, commodity specialist, Office of Materials Distribution, Department of Commerce.
 Charles Grim, commodity specialist, Office of Materials Distribution, Department of Commerce.
 J. W. Ould, legal counsel, Office of Materials Distribution, Department of Commerce.
 W. L. Raup, Administrator of Order M-43, Office of Materials Distribution, Department of Commerce.
 John C. Erickson, assistant chief counsel, Office of Defense Supplies, Reconstruction Finance Corporation.
 Dr. S. R. Coatney, United States Public Health Service.
 Dr. M. D. Hollis, United States Public Health Service.
 C. W. Herman, Director, Fats and Oils Branch, Production and Marketing Administration, Department of Agriculture.

Those representing private trade who testified, and their position with respect to extension, are as follows:

Name	Commodity	For or against extension
J. S. McDaniel, secretary, Cordage Institute.....	Hard fibers.....	Opposed.
John B. Gordon, manager of Raw Materials, Vegetable Oils, and Fats Industries.....	Fats and oils.....	Do.
R. Bockstedt, representing Columbian Rope Co.....	Hard fibers.....	Do.
Arthur Beerman, president, Charles Sucher Packing Co.....	Fats and oils.....	Do.
James H. Grove, president Grove Laboratories, Inc.....	Quinine.....	Do.
Ira Vandewater, vice president R. W. Greef & Co., New York City.....	do.....	Do.
Henry H. Buckman, consulting engineer, Vulean Detinning Co., Sewaren, N. Y.....	Tin.....	In favor, with modification.
Orville Schell, representing Merck & Co., Rahway, N. J.....	Quinine.....	In favor.
Giles S. Clair, representing S. B. Penick & Co., New York, N. Y.....	do.....	Do.
James Flanagan, secretary and general counsel, S. B. Penick & Co., New York.....	do.....	Do.
R. H. Loudon, representing McGean Chemical Co., Cleveland, Ohio.....	Tin.....	In favor, with modification.

Extensive testimony in favor of extension of the program was presented by Dr. Dennis A. FitzGerald, Secretary General of the International Emergency Food Council and by his deputy, Mr. Morse Salisbury.

A condensation of the testimony heard with respect to the commodities over which controls are continued follows. It is to be noted that the continuance of control of streptomycin was not recommended by the Department of Commerce, and that controls over cinchona bark, quinine, and quinidine requested by the Department of Commerce are eliminated.

1. *Rice*

Controls are requested for the purpose of regulating imports.

Mr. N. E. Dodd, Under Secretary, Department of Agriculture, testified that domestic supply of rice presently is estimated at 1.9 to 2 billion pounds and domestic consumption at 1.3 to 1.4 billion pounds. In the prewar period of 1935-39 domestic supply averaged 1,475,000,000 pounds annually and consumption 850,000,000 pounds. Current world exportable surplus is estimated at 2.1 billion pounds, or only about 25 percent of the 8 billion pounds available for world export before the war, and about 50 percent of rice requirements submitted to the International Emergency Food Council. On the basis of these figures, it is believed by the Department of Agriculture that this country is not in need of rice imports, and that the anticipated 325,000,000 pounds available for export above domestic requirements is badly needed for world supply.

Dr. Fitzgerald, Director-General, International Emergency Food Council, testified that if import controls were not exercised, it is anticipated that, instead of exporting rice, the United States would import rice which is normally purchased by the Netherlands East Indies, the Philippines, India, and China, which areas in turn normally depend on imports from Siam, Burma, and French Indochina. In such event, it would be necessary to reexport rice to the Netherlands East Indies, the Philippines, India, and China, if they are to be fed.

In a statement opposing controls presented by W. M. Reid of the Rice Miller's Association, it was claimed that world rice production in 1947-48 is expected to equal that of prewar years. Department of Agriculture representatives comment that, because of population increases since before the war, a world shortage is demonstrated, particularly since production of other foods, such as sago, used as substitutes by countries normally consuming rice, are also at a reduced level.

2. *Nitrogenous fertilizer materials*

Controls are requested for the purpose of regulating imports and establishing priorities for production and export.

Mr. W. T. Hart, of the Nitrogen Unit, Office of Materials Distribution, Department of Commerce, testified that total United States supply of nitrogenous materials used for the manufacture of fertilizers is 886,000 tons annually, of which 200,000 tons are imported in about equal amounts from Chile and Canada. Estimated world demand for nitrogenous fertilizers is placed at 3,700,000 tons and world supply at 2,800,000 tons. There are 100 importing countries against a half-dozen exporters.

Mr. Hart stated that the present shortage of fertilizer for domestic purposes does not arise from low production, but from increased demand. Annual consumption of all types of fertilizer today is estimated at 14,000,000 tons, as compared with 7,000,000 tons before the war, and it is believed that because of high farm prices and improvements in farming methods, consumption would increase if the removal of import controls should, as seems probable, increase imports of nitrogenous materials.

If import controls were removed, it was stated that, because of the demand for dollar exchange, Chile would send us three times as much

nitrogen as at present, or around 600,000 tons, and Canada would ship us 95 percent of her output. Supplies available for export by those countries to Europe would be greatly reduced, thus increasing the call for American foodstuffs. Shipment of each ton of fertilizer to nations in need of rehabilitation and relief is estimated to save the necessity of shipping 10 to 15 tons of foods.

Senator James Eastland, of Mississippi, appeared before the subcommittee conducting hearings and, in his examination of Mr. W. T. Hart, elicited information that, after the power to allocate nitrogenous fertilizer materials had been discontinued, the Department of Commerce had requested certain producers to ship fertilizer to Puerto Rico in violation of the act of Congress. Mr. Hart contended that his action was based upon a prior commitment to Puerto Rico and was in good faith to satisfy the commitment. Whatever the reason, it is apparent that the action was not in accord with the act of Congress.

No industry testimony or statements on nitrogen controls were presented. However, in answer to newspaper reports concerning the destruction of fertilizer plants in Germany, Mr. C. Tyler Wood, deputy to the Assistant Secretary for Economic Affairs, Department of State, submitted the following statement:

DEPARTMENT OF STATE,
Washington, June 20, 1947.

The Honorable JOHN S. COOPER,
United States Senate.

DEAR SENATOR COOPER: In response to the question you recently put to me concerning the destruction of fertilizer plants in Germany, I have assembled the following information.

The reports in the newspapers on this subject were based on an interview with former President Hoover. Mr. Hoover has written to the Secretary of War, Mr. Patterson, that he was quoted incorrectly in this interview. He said that he had "complained of the Russian action with regard to fertilizers and other products in Germany, Austria, and Korea" but added that "every effort was being made within the imposed levels of industry to restore production of fertilizers" in the American and British zones.

The reasons for the imports of fertilizer by Germany and Austria today are complex, and differ with the countries concerned.

Before the war, Austria had to import practically all of its fertilizer and fertilizer materials since it has no phosphate or potash deposits and no chemical nitrogen plant. After 1938 a plant for production of nitrates was built by the Germans at Linz, in what is now the American zone of occupation in Austria. With minor changes in the equipment this plant could be made to produce more nitrogenous fertilizer than Austria required and the necessary changes were made early in the period of occupation. For some time, however, the coal shortage prevented operation of the plant and even when by great effort some suitable coal was obtained for the purpose, the quantity was insufficient to enable full operation.

At the present time this Department and the War Department are collaborating in an attempt to procure more coal for the Linz plant.

Germany is fortunate in having one of the largest potash deposits in the world. Although there are difficulties in getting manpower for the mines, both the British zone and the Soviet zone, which have most of the deposits, are producing more than enough for the needs of the country and have been exporting potash for about a year.

Germany has no phosphate deposits and has always had to import the rock or superphosphates. Its processing capacity for phosphate rock was limited because it placed some reliance on the cheaper basic slag obtained as a byproduct of pig-iron manufacture in the mills using the high-phosphate iron ores obtained chiefly from French Lorraine. But even at the peak period of pig-iron production the domestic supply of slag met only part of the phosphate fertilizer need and slag was imported from France, Belgium, and Luxemburg. At the present time, with the shortage of Ruhr coking coal keeping pig-iron production in these countries far below capacity, they have little if any basic slag for export.

The most serious problem of all, however, is nitrogen. During the war of 1914-18, for military reasons Germany, which had perfected the high-pressure method of "fixing" atmospheric nitrogen, built up the first great capacity for such production. By various methods, but above all threats of price-cutting wars, it was able to impede any large development of capacity in countries other than the United States. And even the United States was unable to build up any considerable foreign market that would have provided it with a large capacity in excess of its own needs. Thus at present, in attempting to increase foodstuffs production in areas where it has responsibilities, the United States is forced to convert some of its wartime nitrate plants to production of nitrogenous fertilizer.

The part disappearance of Germany as a producer is largely a result of necessary military operations that preceded the occupation. All but a small part of Germany's 1,700,000-ton nitrogen potential was in high-pressure plants that could be used, with certain additions to the equipment, for manufacture of synthetic gasoline. The two chief plants, which together had two-thirds of the total nitrogen capacity of the country, and certain of the smaller ones had the necessary equipment for this purpose before the war began. The smaller high-pressure plants were in the Ruhr and the largest of all was near Leipzig. More than half the potential capacity was in the single Leipzig plant. As you know, intensive bombing of the high pressure synthetic liquid-fuel plants was a decisive factor in the collapse of the German military effort. The American zone in Germany has only one chemical nitrogen plant, of the calcium cyanamide type; its operation requires considerable quantities of coke as well as hydroelectric power. The severe shortage of water in the mountains in 1945-46 prevented full utilization of this plant after coke was made available. Full operation of the second largest nitrogen fixation plant, which is in the French zone, has been prevented by the lack of coking coal from the Ruhr. While some of the less badly damaged small nitrogen plants of the Ruhr have been patched up and put into operation, and the remaining capacity of the Leipzig plant is being used within the limits set by lack of suitable grades of coal, the total output of Germany today is well below the domestic fertilizer consumption level achieved in the year 1939. This consumption level, which is nearly double that of 1933, has been accepted as the desirable goal for the present period in the attempt to increase the indigenous supply of foodstuffs.

According to General Clay, not a single German plant that can produce fertilizer has been dismantled or marked for removal in the western zones. So far as is known such part of the capacity of the Leipzig plant as survived bombing had not been materially reduced by dismantling, even though all high-pressure plants were at one time placed in the mandatory removal class under the level-of-industry plan.

I hope that this explanation clarifies the situation that caused your concern. We shall be happy to answer to the best of our ability any other questions on the subject that occur to you.

Sincerely yours,

C. TYLER WOOD,

Deputy to the Assistant Secretary for Economic Affairs.

3. *Fats and oils*

Under Secretary N. E. Dodd of the Department of Agriculture estimated that 1947 United States production of fats and oils would be 9.3 billion pounds or 4,220,000 metric tons, equal to about 95 percent of per capita consumption needs, on a prewar basis. We are normally importers of industrial oils, he said, most important of which are palm oil, coconut oil and linseed oil, and expect to import about 375,000 tons of these oils this year. Edible types of fats and oils like soybean, cottonseed, and peanut oil and lard are domestically produced, he stated. In recent years, United States exports have been largely of these latter categories and for this year are now scheduled at about 325,000 tons.

Mr. Dodd said that export controls prevent unduly heavy outward shipments of certain domestic vegetable oils and of oil-bearing seeds, such as soybeans, peanuts, and flaxseed. Without any export controls, exports to countries with dollar buying power would be so heavy as to mean not only a shortage of crushing materials from which oils

are obtained, but also of many items such as shortening, margarine, soap, paints, and related products. Without export controls, the estimated United States exports in 1947 of around 325,000 metric tons (in terms of oil) would increase to around 450,000 tons and would go largely to countries with dollar buying power and not necessarily to countries where they were most needed, unless the United States stepped in and appropriated dollars to buy and ship to needy countries.

Import controls, according to Mr. Dodd, operate to prevent domestic buyers from draining off world exportable surpluses, to the detriment, particularly, of war-devastated countries. Current world production is placed at about 80-85 percent of prewar, and exportable surpluses, because of increased populations, at 60-65 percent of prewar. Available supplies in war-devastated countries range from 50 percent down to as low as 20 percent of prewar.

Mr. John B. Gordon, manager, bureau of raw materials, vegetable oils and fats industries, a representative of certain branches of the vegetable oils and fats industries, opposed continuation of controls on various grounds. He stated that a continuation of controls will prevent maximum production in British, French, and Belgium colonial areas because prices paid are inadequate. Dr. FitzGerald stated that removal of United States import controls would not require the United Kingdom, France, or Belgium to remove their controls including price control; that these countries had recently raised prices in their colonial territories in part because of representations of IEFC; and finally that trade goods were more important than cash in stimulating production.

The fact that there are about the same number of cattle in the world as in prewar was advanced by Mr. Gordon as evidence that there is no serious shortage of animal fats. To this Dr. FitzGerald replied that the amount of fat production per animal in Europe, where the critical food shortage areas exist, is sharply lower than in prewar because of the lack and poor quality of animal feeds.

Mr. Gordon, in opposing import controls, alleged that the United States would not drain off world supplies of fats and oils, in a free market, because our price level is lower than in the rest of the world. Dr. FitzGerald stated that there are some fats and oils which are cheaper in the domestic market than in the world market. But price relationships are changing constantly and there is no way of predicting the changes that will occur in the next 6 to 12 months.

At a higher level of domestic prices for these fats and oils, increased competition for imports of such products into this country would develop, thereby reducing the supplies which the deficit countries could obtain from these sources. This in turn would mean an increased call on the United States for fats and oils for the deficit areas.

Without any controls of either exports or imports, Dr. FitzGerald said fats and oils would flow into and out of the United States market solely based on price considerations and without any regard to the urgency of need.

The net result would be that the countries including our own, with the highest buying power, based on desirable foreign exchange, would obtain or retain the largest share of world supplies and the countries in serious need, such as Italy, Austria, Greece, and France, with little buying power (or foreign exchange) would be unable to obtain supplies

or would lose supplies they already have, unless the United States were prepared to supply the oils these countries need by procuring them with appropriated dollars.

Dr. FitzGerald further testified that while it is true that the fats and oils that we import are used in this country for industrial or manufacturing purposes, these are used in Europe in considerable part for food purposes, such as coconut oil, palm oil, rapeseed oil, and whale oil. Moreover, one of the most critical shortages in many countries is that of soap.

Mr. Gordon pointed out that in prewar years, a number of Mediterranean countries were accustomed to sell domestically produced fats and oils, such as olive oil, and replace with cheaper oils bought in world markets. But under existing conditions, Dr. FitzGerald said, there is no assurance that foreign-produced oil in world markets would be used to buy cheaper oils as a replacement rather than other types of consumer goods, such as automobiles, steel products, or building materials, which are also very short and on which profits through importing would be greater than on cheaper oils.

The committee received both oral and written representations from producers of lard and tallow reporting growing stocks of these commodities along with declining domestic prices and asking that export controls be removed in order to facilitate the movement of these greatly needed materials to deficit countries. Dr. FitzGerald stated that, at present prices, increased exports of lard and tallow which were most urgently needed in deficit areas would appear warranted and were indeed being considered. He pointed out, however, that the unlimited exports which would result from the complete removal of export controls might seriously deplete the supplies available for domestic consumption.

H. W. Prentis, Jr., the president of the Armstrong Cork Co., communicated with the committee recommending that import control on flaxseed and linseed oil be terminated. He advanced the view that these controls, in combination with the United States support price on flaxseed, help the Argentine Government in exacting high prices for linseed oil. He implied that, in the absence of United States import controls, the Argentine price for linseed oil for export would fall to near the 14 cents per pound equivalent now paid Argentine farmers by their Government. O. W. Hermann, Director of the Fats and Oils Branch in the Production and Marketing Administration, United States Department of Agriculture, entered testimony that the price exactions of the Argentine Government were a settled policy and would continue so long as the world shortage of oils made it possible to hold at a high level. He stated that world prices were being held by the Argentine at 31½ cents per pound and even higher; that anyone who knew the situation could not say linseed oil could be purchased at anywhere near the 14-cent figure. It seems in general that discontinuance of import controls on this commodity would not serve to break the monopoly prices of the Argentine; to the contrary, might give support to even higher prices on Argentine oils.

The net balance of the testimony indicates, as stated by Mr. Dodd, that supplies are not adequate to meet urgent demands and they are not expected to be for some time to come. Without authority to control imports and exports, the United States would not be in a position to participate effectively in cooperative international distribution plans, including the recently enacted foreign-relief legislation.

Such a situation would hamper, if not cripple, efforts we are making to establish world stability.

It is the opinion of the committee that the chief purpose of import controls of oils and fats is to give strength to the commitments made in the IEFC and to assure deficit countries who are members of the IEFC that this country will not use its favorable financial position to capture free supplies of oils and fats which deficit countries sorely need.

4. *Tin*

The chief uses of tin are in the manufacture of tin plate; one-third of supply is used for tin cans, chiefly for food packing. Terneplate is also used for sheathing in housing construction. Other vital uses are for bearings, for railroad cars, and solders required for a wide variety of purposes in metal working. Among industries affected are railroads, food processing, farm machinery. All types of use are under restriction as to end use through allocation to processors and manufacturers. Its use for certain purposes, such as tinfoil for advertising or decorative purposes, jewelry, and toys, is prohibited.

Mr. Vogelsang testified that estimated world production for 1947 is 117,000 tons of primary tin compared to our average prewar production of 200,000 tons. Estimated United States demand in 1947, without controls, is 121,000 tons. Estimated United States consumption for 1947, under controls, is 89,700 tons, obtained as follows: 20,000 tons of primary tin imported, 38,000 tons smelted in the United States from imported ores, 19,700 tons reprocessed or reclaimed, 12,000 tons domestic stock pile.

The chief producing areas normally are Bolivia and the Far East, but today Bolivia is the only important source of supply. International allocations of primary pig tin are made by the Combined Tin Committee, our intergovernmental body of which the United States is a member. All tin metal and concentrates imported have been purchased by the Reconstruction Finance Corporation. Tin is allocated to manufactures and processes for specific end uses.

In the evidence heard and statements submitted, no representation was made by industry that tin controls should be abandoned. Mr. Loudon, a manufacturer of wall tile, protested the policy in regard to allocation of tin oxide as an opacifier for wall tile, stating that the small quantity allocated for this purpose was contributing to housing and building shortages, in its restriction upon production of tile for housing. He stated that substitutes were costly and unsatisfactory, and protested against increased allocations of tin beer cans. The position of the Department of Commerce is that, while tin oxide is allowed for production of colors in tile, its use as an opacifier is not allowed on the ground that substitutes, while not fully satisfactory, can be used.

Witnesses stated that decision to use tin plate for beer cans was made by the Office of Civilian Price Administration, now discontinued.

Recommendation was made by Mr. Buckman on behalf of Vulcan Detinning Co. that tin ores and concentrates be excepted from tin controls so that the tin-smelting capacity developed for treatment of low-grade Bolivian ores could be used. Department of Commerce representatives entered no objection to this exception and provision is made for the exception in section 3 (b) (1) of Senate bill 1461.

5. Antimony

Antimony, imported from China, is purchased by the Reconstruction Finance Corporation and allocated to domestic manufacturers and processors for specific end uses. Other imports and domestic production are purchased by private business but end uses are controlled.

Mr. Louis Loeb, head of the Antimony Unit, Office Materials Division, Department of Commerce, stated that total domestic demand, without controls, is 45,000-48,000 tons; and that domestic supply is 35,000 tons, made up of 6,000 tons of domestic production, 20,000 tons reclaimed, and 9,000 tons of imports. He pointed out that China, Bolivia, and Mexico are normally the chief sources of supply and that Chinese supply is greatly restricted due to war dislocations.

He stated that antimony is used as an alloy, for hardening lead, for storage-battery plates, bearings, and printing-type metal. It is also used chemically in paints, for ceramics, and flame proofing.

He testified that controls should be maintained for the purpose of allocation, that importance of antimony arises from its use in products needed for reconversion, and that its maldistribution would create bottlenecks. An example is its use in storage-battery plates, needed in all methods of transportation.

No witnesses appeared in opposition to extension.

6. Cordage

Mr. Franklin F. Kidd, Chief, Cordage Division, Office of Materials Distribution, Department of Commerce, testified that there was a shortage of abaca and agave fibers from which cordage is made and for which this country is totally dependent on imports. According to Mr. Kidd supplies in sight for the 1947-48 year range from an estimated minimum of 295,000,000 pounds to a maximum of 410,000,000 pounds. Demand, without controls, according to his estimate, will approximate 600,000,000 pounds indicating a deficit of between 190,000,000 and 305,000,000 pounds.

Mr. J. S. McDaniel, secretary, Cordage Institute, New York City, testified that Government estimates of supply were understated and of demand overstated. He estimated supply for the 1947-48 year at 480,000,000 pounds and demand at 349,000,000, an indicated surplus of 131,000,000 pounds, warranting exclusion of cordage controls.

The difference between Government and industry estimates of supply and demand is shown in the table below:

Hard fibers

SUPPLY

	Government estimate, 1947-48	Industry estimate
Abaca:		
150,000,000 to 200,000,000 pounds, consisting of:		
Philippine.....	Pounds 144,000,000	Pounds 200,000,000
Central America.....	40,000,000	35,000,000
Other.....	16,000,000	
	200,000,000	235,000,000

See footnotes at end of table, p. 60.

Hard fibers—Continued

SUPPLY—Continued

	Government estimate, 1947-48.	Industry estimate
Agave.....		
145,000,000 to 210,000,000 pounds, consisting of:	<i>Pounds</i>	<i>Pounds</i>
Mexico.....	124,000,000	154,000,000
Africa.....	44,000,000	40,000,000
Haitian.....	30,000,000	46,000,000
Other.....	12,000,000	5,000,000
	210,000,000	245,000,000
Total.....	(1)	480,000,000

DEMAND

600,000,000 pounds, consisting of:		
Baler twine.....	140,000,000	114,800,000
Binder twine.....	110,000,000	94,000,000
Rope.....	125,000,000	95,700,000
Inventory.....	50,000,000	
Wrapping twine.....	65,000,000	30,000,000
Upholstery.....	40,000,000	
Reinforced paper.....	25,000,000	12,500,000
Plastics.....	10,000,000	1,000,000
Miscellaneous.....	10,000,000	1,000,000
Inventories.....	25,000,000	
Total.....	600,000,000	349,000,000

¹ Total Government estimate 295,000,000 to 410,000,000 pounds.

Government indicated deficit, 190,000,000 to 305,000,000 pounds.

Industry indicated surplus, 131,000,000 pounds.

Mr. Kidd testified that one of the most vital uses of these imported fibers was in the manufacture of binder and baler twine for agricultural use. He stated that while wire was commonly used for these purposes before the war, a new machine had been developed and sold to farmers principally by International Harvester Co. and New Holland Machine Co., New Holland, Pa., which made use of baler twine. These machines are not equipped to use wire. The International Harvester Co. furnished the committee with an estimate of 143,000,000 pounds of baler twine required to service the machines sold by both companies for the period November 1, 1947, to November 1, 1948. This was based on an estimate of 59,563 one-man twine-baling machines in use by November 1, 1948, against 35,000 now in use.

Mr. McDaniel stated that the estimate of the number of balers in use by November 1, 1948, was not a proper indication of the demand for baler twine throughout the crop year, beginning November 1, 1947.

Mr. Kidd pointed out, in reference to Mr. McDaniel's estimates of receipts, that the 10-year prewar average imports of hard fibers were 348,000,000 pounds, including large receipts from the Netherlands East Indies and British Africa, now not a source of United States supplies.

The Department of Agriculture submitted a statement advocating continuance of controls on hard fibers as a protection for farmers whose twine consumption in the fiscal year 1948 was estimated at 150,000,000 pounds for hay-baling machines and 250,000,000 pounds of baler and binder twine combined.

7. *Quinine and quinidine*

During the course of the hearings, the testimony of the Government initially presented with reference to quinine and quinidine, was substantially changed in the light of further investigation and inquiry into this subject.

Mr. Carl C. Farrington, Assistant Administrator, Production and Marketing Administration, and Vice President, Commodity Credit Corporation, Washington, D. C., initially testified with reference to quinine that the anticipated demand for quinine for antimalarial purposes would be approximately 2,500,000 ounces. This estimate was subsequently reduced by Mr. Farrington to 1,200,000 ounces. Mr. Farrington's initial estimate of demand of 3,000,000 ounces for blended and industrial uses of quinine (currently not permitted under existing controls) was not changed. The Government's final estimate, therefore, of the anticipated demand for quinine for 1947-48 is 4,200,000 ounces.

Mr. Farrington's initial estimate of the available supply of quinine for 1947-48 was 2,100,000 ounces, which would be available from the East Indies. During the course of the hearing, however, it was developed that there will be available an additional 1,000,000 ounces of quinine which may be reconditioned from current Army stocks, and that in addition thereto, approximately 250,000 ounces will be available from estimated Government reserves as of July 1, 1947. These two items added to the original estimate of 2,100,000 ounces would give an available supply of quinine for 1947-48 of 3,350,000 ounces. Mr. Farrington testified that, should the Government continue its public-purchase program of South American bark which is currently being processed by American processing plants, an additional 800,000 ounces of quinine could be produced. It was stated by Mr. Farrington, however, that, should controls on quinine be eliminated, it is highly improbable that this public-purchase program and the domestic processing of the South American bark could continue.

Mr. James H. Groves, president of the Groves Laboratories, Inc., estimated that the maximum demand of quinine for antimalarial purposes for 1947-48 would be 900,000 ounces and that the maximum demand for quinine for blended uses and industrial purposes (currently prohibited under the control order) would be approximately 600,000 ounces, making a total demand for 1947-48 of 1,500,000 ounces. With reference to supply, Mr. Groves estimated a total available supply for 1947-48 of 4,650,000 ounces which would include an estimate of 800,000 ounces from the public purchase program and domestic processing of the South American bark.

It will be noted that, on the basis of the last estimate submitted from Mr. Farrington, the anticipated supply is only approximately 850,000 ounces less than the anticipated demand for the years 1947-48. On the basis of the figures submitted by Mr. Groves, disregarding the possible 800,000 ounces from the South American public purchase program, the supply of quinine for 1947 would exceed the demand by 2,300,000 ounces.

With reference to quinidine, Mr. Farrington testified that the total demand for 1947-48 for cardiac uses would be approximately 200,000 ounces and that the demand for quinidine for noncardiac uses (not currently permitted under the control order) would be approximately 300,000 ounces, making a total demand for quinidine of approximately

500,000 ounces. Mr. Farrington estimated that the supply of quinidine for 1947-48 would be approximately 200,000 ounces. Mr. Groves testified with reference to quinidine that the 1947-48 demand for cardiac uses would be approximately 200,000 ounces, but that the demand for quinidine for noncardiac uses during this period would be almost negligible. He further testified that the supply of quinidine for 1947-48 would be greatly in excess of any anticipated demand even including a demand, in addition to the 200,000 ounces for cardiac uses, of an additional 300,000 ounces for non cardiac uses. Near the close of the hearings, Mr. Farrington expressed the following proposal of the Department of Commerce, should controls on quinine and quinidine be retained. That the Department:

1. Amend its order so that end use and distribution restrictions apply only to those stocks now or hereafter held by the Government.

2. Withdraw its recommendation to the Reconstruction Finance Corporation to purchase 2,100,000 ounces from the Netherlands East Indies.

3. Remove all restrictions on the use and distribution of all quinine imported by private purchasers.

The committee decided to remove all controls.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. The first inquiry and decision made by the committee was one of policy, namely, whether or not the President's powers should be continued. Section 2 of the first Decontrol Act of March 31, 1947, states:

The Congress hereby declares that it is vital to a free economy and full production in the United States that all emergency controls and war powers under the Second War Powers Act be removed except in certain limited instances.

The committee adheres to the policy stated, but cannot escape the conclusion that in the light of present world circumstances, the continuance of limited controls is necessary to assist in achieving essential objectives of the country. They are (1) the protection of our domestic economy, and (2) the implementation of our foreign policy. These objectives have been emphasized throughout this report, and particularly in section II, A, 1 and 2.

B. The second inquiry of the committee was directed to an examination of the administration of the powers. The committee believes that the Department of Commerce, to which the powers of the President were delegated; the Department of Agriculture and the Department of State who exercise specific functions have in great part administered their functions with fairness, and with as little interference with private business as is reasonably possible under a system of control.

The committee, however, found a fundamental defect in the administration of the large powers granted to the President, arising from their division among departments of equal rank, none of which appear to have final responsibility and final power of decision.

The President has delegated his powers to the Secretary of Commerce. In practice, the committee found that the Secretary of Commerce exercises the power with respect to industrial materials, the Secretary of Agriculture with respect to foods, and the Secretary

of State where foreign policy is concerned. Some adjustment of their policies and interests has been obtained through an inter-departmental committee, advising the Secretary of Commerce, but the evidence demonstrated that each generally maintains autonomy in his own field. Today, the interests of the several departments may conflict.

1. Grain offers an example of possible conflict. The Secretary of Agriculture is the representative of the United States on the IEFC, which recommends allocations of United States grains to countries upon the basis of world supply and demand. The testimony developed that the Department of Agriculture determines allocation of export grain to other countries, and that his determinations are substantially in accord with IEFC recommendations, which may not always be in accord with other aspects of our domestic and foreign policy.

Today, the War Department is a claimant against export grain for use in occupied zones and the State Department is a claimant for use in relief programs approved by Congress. There is no agency, under the President, who can effectively make a final decision as between these claims in case of conflict, or a determination of their merit against the needs of our domestic economy.

2. Testimony heard with respect to the export of steel pipe indicated a conflict between the expansion of domestic oil and gas production and distribution, and the policy of promoting the development of foreign oil resources, deemed essential to our world policy.

Opposition was made to the power granted in section 3 (b) (4) of the proposed bill upon certification of the Secretary of State to direct materials to foreign countries to expand or maintain production of critical materials needed in the United States by Mr. Russell B. Brown, general counsel, Independent Petroleum Association of America and Mr. John A. Ferguson, executive director, Independent Natural Gas Association of America. Their testimony was to the effect that steel pipe had been sent to Venezuela and Saudi Arabia to promote oil production in those countries at a time when pipe was in short supply in the United States for oil and natural-gas production and distribution. These witnesses took the position that the United States should expand and stimulate its domestic production by assuring a sufficient supply of pipe for the oil and gas industry. Under present administration, it is not clear that the Secretary of Commerce could decide such an issue.

The export program controls 4 to 5 billion dollars' worth of commodities. The powers granted to the President under both acts affect prices, production, and distribution in our domestic economy, and the success of our foreign policy. It is imperative that they be administered efficiently, with concern for, and consistent with the policies which justify their grant from the Congress.

In order to fix responsibility for the power to make decisions, and to provide for a coordinated effective administration of the powers extended by Senate bill 1461, provision is made in section 6 for the appointment by the President, with the advice and consent of the Senate, of an Administrator of Import and Export Controls, with authority to establish policies and programs consistent with the general policies announced in section 2 of the act, and with power to approve or disapprove any action taken and to exercise over-all control, subject only to the direction of the President.

Provision is made for an advisory committee composed of the Secretaries of War, State, Agriculture, Interior, and Commerce, in which policies, programs, and procedures can be developed and recommendations made to the Administration. It is contemplated that the Administrator will use as far as possible the organizations in other departments of the Governments now concerned with the administration of the President's powers, and will delegate to such departments appropriate powers, but reserving final power to approve or disapprove any action taken by such departments. For example, he can delegate to the Department of Agriculture the authority to determine the amount of exportable grains, and to make recommendations concerning allocations to the War Department, the State Department, and to foreign countries, subject to approval of the Administrator.

The committee has not attempted to set out the details of administration. It has provided in the bill that the Administrator shall make quarterly reports to the President and to the Congress, which shall contain detailed information with respect to licensing procedures, allocations, and priorities under the Second War Powers Act, and the allocation or nonallocation of commodities under the Export Control Act upon a country basis. This requirement, together with discussion of criticisms and the specific recommendations made in this report, are intended to bring about the study, review, and improvement of administrative procedures as well as policies.

Criticism was made of certain administrative procedures, and the committee believes that the procedures should be thoroughly examined by the Administrator and defects corrected.

A. CRITICISM DEVELOPED IN HEARINGS AND RECOMMENDATIONS

1. Failure to allocate essential exports such as steel, copper, and lumber upon a country basis. An argument advanced by Government officials for retention of export controls was that the United States would be enabled to allocate essential commodities to countries of great need and to those friendly to our foreign policy. This Government has not followed its stated policy with respect to many commodities, particularly steel, copper, and lumber. The Department of Commerce has issued general licenses against the total exportable surplus and the licensees are permitted to sell to any country willing and able to buy, without regard to need or attitude toward our domestic or foreign policy. Countries with dollar exchange bid competitively for such commodities, raising export prices and affecting domestic prices. Countries to which we have loaned or granted money are forced to pay higher prices for essential commodities. It is recommended that the Administration review the present policy with respect to the export of steel, copper, lumber, and other essential commodities and that allocations on a country basis be made if necessary to effectuate the objective of providing essentials for friendly and needy countries. Attention is called to the report and recommendations of Senator Edward Martin with respect to steel, printed in this report.

2. The committee did not find any serious evidence of "red tape," but it is convinced that policies and procedures are developed without adequate consultation with private industry, trade, and individuals concerned with controls. It is recommended that the Administrator

provide methods for continuous and close consultation with such interested parties.

3. The criticism heard was directed toward licensing procedures, particularly strong complaints being filed by Mr. S. Olsen, of the Siegfried Olsen Shipping Co., San Francisco, Calif., and Mr. Dyke Cullum, exporter. Criticism was made of the policy of granting licenses for 85 percent of export quotas to the so-called "historical exporter," upon the ground that such a policy excluded new firms and small business from the export business. This policy should be reviewed with the view of allowing freer competition and of assuring equitable treatment of applicants.

A second and more serious criticism was that licenses are issued to exporters without bona fide orders, and that licenses are sold and transferred at high prices. The committee received no definite proof that such sales and transfers are made, but on the other hand, received no satisfactory explanation from the Department of Commerce issuing licenses. It is strongly urged that the Administrator immediately investigate licensing procedures, that he institute procedures that will effectively prevent the transfer of licenses without the consent of the issuing agency, that licenses be granted only to exporters possessing bona fide orders, and that the period for which they are valid be of short duration, consistent with the subject of the commodity to be delivered.

4. One of the strongest complaints made concerned the procurement by the Production and Marketing Administration of wheat for export trade. The testimony of Mr. Schilthuis, vice president, North American Export Grain Association, Westport, Conn., concerning this matter is outlined in section III-A-4 of this report, and arguments advanced in favor of Government procurement of wheat are found in the same section. The committee recommends that the Administrator review this procedure immediately and that he report his findings to the President and to Congress, with full information as required in the bill. It is the opinion of the committee that the procurement of wheat should be returned to trade at the earliest moment. It is to be noted that Capt. Granville Conway, coordinator, emergency export programs, and president, Cosmopolitan Shipping Co., testified that it was his opinion that the trade could assume this responsibility and could exercise it more efficiently than the Government.

SUMMARY OF THE BILL

The bill consolidates certain of the features of S. 1461 and S. 1460. It provides for a limited extension of certain of the powers to control critically short materials now provided for in the First Decontrol Act of 1947 and for the temporary extension of certain export controls now provided for in the Export Control Act, as amended. Both of these acts expire on June 30, 1947.

Section 1 provides that the act may be cited as the "Second Decontrol Act of 1947."

Section 2 contains a declaration of policy by the Congress as to the necessity for extending certain emergency wartime controls to the minimum extent necessary: (1) To protect the domestic economy from the injury which would result from adverse distribution of materials which continue in short world supply; (2) to promote production in

the United States by assisting in the expansion and maintenance of production in foreign countries of materials critically needed in the United States; (3) to make available to countries in need consistent with the foreign policy of the United States, those commodities whose unrestricted export to all destinations would not be appropriate; and (4) to aid in carrying out the foreign policy of the United States.

Section 3 provides for the amendment of title XV, section 1501 of the Second War Powers Act, 1942, as amended, by extending the termination date from June 30, 1947, to June 30, 1948.

Language referring especially to the First Decontrol Act of 1947 has been inserted in subsection (a) of section 1501 to insure the continuity through June 30, 1947, of the controls provided by that act but which are not now to be continued, such as controls over streptomycin and production of tractors for export.

Subsection (b) of section 1501 provides that title III of the act shall remain in force only until June 30, 1948, for the exercise of the powers, authority, and discretion thereby conferred on the President, but limited to materials (and to facilities suitable for the manufacture of such materials) identified in paragraphs (1), (2), (3), (4), (5), and (6). These paragraphs cover the following: (1) Tin and tin products (except for import control of tin ores and tin concentrates); (2) manila (abaca) fiber and cordage, and agave fiber and cordage; (3) antimony; (4) materials needed to aid foreign production of materials critically needed in the United States. Such aid is in the form of priorities assistance in procuring materials needed for foreign production; (5) import control over fats and oils and over rice and rice products. Petroleum and petroleum products are not included, but oil-bearing materials, fatty acids, butter, soap, and soap powder are included. This paragraph also covers import control and control over priority in production and delivery for export of nitrogenous fertilizer materials; and (6) materials whose prompt export is requisite to carrying out the foreign policy of the United States upon certification by the Secretary of State as to its high public importance. To accomplish this, provision is made for priority in production and priority in delivery for export.

Subsection (c) of section 1501 continues the present provision for earlier termination by joint resolution or by the President. It also makes clear that the limited extension of title III does not extend the provisions of that title relating to negotiation of contracts without advertising or competitive bidding, and that Public Law 24, Eightieth Congress (Rubber Control Act) and the Sugar Control Extension Act of 1947 are not affected. Nor does such extension continue any controls over the use of transportation equipment and facilities by rail carriers. The Reed bill (S. 1297) is now on the Senate Calendar and provides for continuing controls with respect to such equipment and facilities through January 31, 1948. If such bill does not become law and no other statute is enacted there will be no authority under the Second War Powers Act, as amended by this bill, to control the use of such equipment and facilities.

Section 4 extends the present termination date of the Export Control Act until June 30, 1948, or any prior date which the Congress, by concurrent resolution, or the President may designate. It is under this act that the Government is authorized to prohibit or curtail exports of any articles or commodities from the United States to any

foreign country. There is no limitation provided as to the articles or commodities which may be controlled, except that the stated policies set out in section 2 will be applicable to export controls in the same manner as to the controls exercised under the Second War Powers Act, 1942, as amended.

Section 5 exempts from the Administrative Procedure Act the functions exercised under title III of the Second War Powers Act, as amended, and the functions exercised under the Export Control Act, as amended, except for the requirements of section 3 (relating to public information) and of section 10 (relating to judicial review).

Section 6 provides for an Administrator of Import-Export Controls to be appointed by the President by and with the advice and consent of the Senate. The Administrator is empowered to establish policies and programs and to exercise over-all control, subject to the direction of the President, with respect to the functions, powers, and duties delegated by the President under title III of the Second War Powers Act, as amended, and under the Export Control Act, as amended. Subject to the direction of the President, the Administrator is also authorized to approve or disapprove any action taken under such delegated authority. Provision also is made for appointment by the President of a committee to advise the Administrator, consisting of the Secretaries of State, War, Agriculture, Interior, and Commerce.

This section also requires the Administrator to make a quarterly report to the President and to the Congress of his operations under the authority conferred on him by this section. Congress and the President will thus have complete and detailed information as to the activities of the departments and agencies under the extended authority conferred by this bill. It is also provided that each such report shall contain a determination by the Administrator as to whether such controls should or should not be continued, together with the current facts and reasons therefor. Such report shall also contain detailed information with respect to licensing procedures under such two acts, allocations and priorities under the Second War Powers Act, and quotas established for export purposes under the Export Control Act. With respect to the last requirement the report must also show in detail the allocation or nonallocation by countries of materials and commodities (together with the reasons therefor) under the Export Control Act.

Section 7 permits the reemployment of personnel engaged during June 1947 in the performance of duties related to the functions and powers extended by the act, in order to maintain continuity in employment of approximately 225 experienced personnel, without which the administration of these functions would be jeopardized. Such authority to reemploy personnel is necessary because under existing law personnel having a war service or temporary status may not be readily reemployed after their services have been terminated because of the requirement of existing law that personnel with a permanent status must be given priority.

Section 8 authorizes an appropriation, out of any money in the Treasury not otherwise appropriated, of such sums as may be necessary to carry out the purposes of this act.

Section 9 establishes the effective date of the act as July 1, 1947.

The title of the bill is changed to read:

An act to extend certain powers of the President under title III of the Second War Powers Act and the Export Control Act, and for other purposes.